

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Product Prices
Inbound Air Parcel Post (at UPU Rates)
(MC2010-11)

Docket No. CP2012-32

ORDER ACCEPTING PRICE CHANGES
FOR INBOUND AIR PARCEL POST AT UPU RATES

(Issued June 26, 2012)

Introduction. The Postal Service proposes a change in rates not of general applicability for Inbound Air Parcel Post at Universal Postal Union (UPU) Rates, effective July 1, 2012. For the reasons discussed below, the Commission concludes that the planned price changes satisfy applicable statutory criteria.

Background. The Postal Service's Notice in the instant case incorporates by reference the explanation provided (in predecessor Docket Nos. MC2010-11 and CP2010-1) of the UPU Postal Operations Council's mechanism for setting base rates for inbound air parcel post. The Notice also explains why the Governors, in Governors' Decision No. 09-15 established those rates as the highest possible inward land rates for

which the Postal Service is eligible under the UPU's Parcel Post Regulations.¹ Notice at 2-3. The rates apply when there is no contractual relationship with the tendering postal operator for this product. *Id.* at 3.

Postal Service's position. The Postal Service asserts that the planned rates comport with Governors' Decision 09-15 because they are the highest possible inward land rates for which the Postal Service is eligible, based on inflation increases and other factors. *Id.* at 2-3. It maintains that it has established that the new rates are in compliance with the requirements of 39 U.S.C. § 3633(a)(2). It therefore submits that it has met the requisite burden of proof. *Id.* at 3 (citing 39 U.S.C. § 3632(b)(3)).

Comments. In Order No. 1367, the Commission advised the public that the Postal Service had filed the instant Notice, along with supporting documentation, and invited interested persons to comment on the consistency of the planned rate changes with applicable statutory criteria.² The Public Representative filed comments.³ No other comments were received.

The Public Representative states that his review of the Notice, attachments thereto, and the supporting financial model leads to the conclusion that the rates not of general applicability for Inbound Air Parcel Post at UPU Rates satisfy the requirements of 39 U.S.C. § 3633(a). PR Comments at 2. He observes that the Postal Service's Notice incorporates by reference the explanations of Inbound Air Parcel Post at UPU rates contained in Docket Nos. MC2010-11 and CP2010-11, "justifying a finding of compliance with the statutory criteria." *Id.* at 3. He affirmatively notes that the financial model accompanying the Notice supports a conclusion that inward land rates for Inbound Air Parcel Post at UPU Rates comply with section 3633(a)(2). *Id.*

¹ Notice of United States Postal Service of Filing Changes in Rates Not of General Applicability and Application for Non-Public Treatment of Materials Filed Under Seal, June 11, 2012 (Notice).

² Notice and Order Concerning Changes in Rates for Inbound Air Parcel Post at UPU Rates, June 13, 2012 (Order No. 1367). Order No. 1367 appears at 77 FR 36585 (June 19, 2012).

³ Public Representative Comments on Postal Service Notice Concerning Change in Rates Not of General Applicability for Inbound Air Parcel Post at UPU Rates, June 21, 2012 (PR Comments).

Standard of review. The Commission reviews price changes for competitive products under the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (section 3633(a)(1)); require each competitive product to cover its attributable costs (section 3633(a)(2)); and enable competitive products as a whole to cover an appropriate share of institutional costs (section 3633(a)(3)).⁴

Commission analysis. The Commission has reviewed the Notice, supporting documentation, and PR Comments in terms of the criteria in 39 U.S.C. §§ 3633(a)(1) through (a)(3). As a result of this review, the Commission finds that the planned rates should not lead to the subsidization of competitive products by market dominant products; cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Thus, the Commission preliminarily finds that the planned rates for Inbound Air Parcel Post (at UPU Rates) are consistent with the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 CFR 3015.7.

It is ordered:

The planned rates for Inbound Air Parcel Post at UPU Rates, scheduled to take effect July 1, 2012, are in accordance with the relevant statutory and regulatory requirements of 39 U.S.C. § 3633(a) and 39 CFR 3015.7.

By the Commission.

Ruth Ann Abrams
Acting Secretary

⁴ 39 CFR 3015.7(a) through (c) reflect the statutory criteria.